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BEFORE THE ARIZONA CORPORATION COMMISSION  
Arizona Corporation Commission

DOCKETED

JUN 09 2000

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
WILLIAM A. MUNDELL  
COMMISSIONER

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
GROOM CREEK WATER USERS ASSOCIATION  
FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-01865A-00-0058

DECISION NO. 62619ORDER

Open Meeting  
June 6 and 7, 2000  
Phoenix, Arizona

**BY THE COMMISSION:**

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

**FINDINGS OF FACT**

1. On January 26, 2000, Groom Creek Water Users Association ("Groom Creek" or "Company") filed an application for a permanent rate increase.
2. Groom Creek mailed notice of its application to its customers on February 5, 2000.
3. On February 24, 2000, Commission Utilities Division Staff ("Staff") notified the Company that its rate application met sufficiency requirements and classified the utility as Class D.
4. On May 10, 2000, Staff filed its Staff Report, recommending approval of the rates proposed by the Company.
5. In the Test Year ended December 31, 1998 ("TY") Groom Creek provided water service to approximately 215 customers in an area located five miles southeast of Prescott, in Yavapai County, Arizona.
6. All of Groom Creek's customers are residential users with 5/8 x 3/4 inch meters, and 70 percent are seasonal. The average and median monthly usage was 2,265 and 1,315 gallons, respectively.

7. Groom Creek's current rates were established in Decision No. 54277 (December 20, 1984). The Company reports increased maintenance and repair costs motivated it to file for increased rates. In 1999, the Company sandblasted and re-coated the inside of its storage tanks and installed new electrical facilities. The Company plans to replace its antiquated iron service lines and replace nonfunctioning valves over a five-year period.

8. In its application, Groom Creek proposed total revenues \$55,736, which based on its proposed expenses of \$37,826, would yield operating income of \$17,910, a rate of return of 46.4 percent on Staff's adjusted Original Cost Rate Base ("OCRB") of \$38,599.

9. In its Staff Report Staff recommended the same revenue as requested by the Company, which based on Staff's adjusted TY expenses of \$38,933, would yield operating income of \$16,803, a 43.5 percent rate of return on adjusted OCRB.

10. Following notification of the rate application, no customers filed comments opposing the rate increase.

11. Groom Creek's present and proposed rates and charges, as well as Staff's proposed rates and charges are as follows:

	Present Rates	Proposed Rates Company	Staff
<u>Monthly Usage Charges</u>			
5/8" x 3/4" Meter	\$14.00	\$14.00	\$14.00
3/4" Meter	0.00	0.00	17.25
1" Meter	0.00	0.00	28.75
1 1/2" Meter	0.00	0.00	57.50
2" Meter	0.00	0.00	92.00
3" Meter	0.00	0.00	172.50
4" Meter	0.00	0.00	287.50
6" Meter	0.00	0.00	575.00
<u>Commodity Rate</u>			
Excess of Minimum - per 1,000 gallons			
1 to 2,000 gallons	\$0.00	\$3.00	\$3.00
2,001 to 3,000 gallons	\$2.00	\$3.00	\$3.00
3,001 to 6,000 gallons	\$2.00	\$3.50	\$3.50
6,001 to 10,000 gallons	\$2.00	\$4.00	\$4.00
Over 10,000 gallons	\$4.00	\$8.00	\$8.00
Gallons included in Minimum	2,000	0	0

1 Service Line and Meter Installation Charges  
 (Refundable pursuant to A.A.C. R14-2-405)

2	5/8" x 3/4" Meter	\$0.00	\$200.00	\$450.00
	1/4" Meter	0.00	200.00	515.00
3	1" Meter	0.00	200.00	590.00
	1 1/2" Meter	0.00	200.00	820.00
4	2" Meter	0.00	200.00	1,380.00
	3" Meter	0.00	200.00	1,935.00
5	4" Meter	0.00	200.00	3,030.00
	6" Meter	0.00	200.00	5,535.00

7 Service Charges

	Establishment	\$10.00	\$10.00	\$10.00
8	Establishment (After Hours)	0.00	0.00	0.00
	Reconnection (Delinquent)	10.00	10.00	10.00
9	Meter Test (If Correct)	7.50	7.50	7.50
	Deposit	0.00	0.00	*
10	Deposit Interest - Per Annum	0.0%	0.0%	*
	Re-Establishment (Within 12 Months)	14.00	14.00	14.00
11	NSF Check	10.00	10.00	25.00
	Deferred Payment - Per Month	0.00	5.00	5.00
12	Meter Re-Read (If Correct)	5.00	5.00	5.00

13 Monthly Service Charge For Fire Sprinkler

	4 inch or smaller	\$0.00	\$0.00	**
14	6 inch	0.00	0.00	**
	8 inch	0.00	0.00	**
15	10 inch	0.00	0.00	**
	Larger than 10 inch	0.00	0.00	**

16 \* Per A.A.C. R14-2-403(B)

17 \*\* 1 percent of Monthly Minimum for a comparable sized meter connection, but no less than  
 18 \$5.00 per month. The Service charge for Fire Sprinklers is only available for service lines  
 separate and distinct from the primary water service line.

19 12. Groom Creek's fair value rate base ("FVRB") is determined to be \$38,599. The  
 20 Company's FVRB is the same as its OCRB.

21 13. Groom Creek's current rates and charges produced revenues of \$42,214 in the TY,  
 22 resulting in operating income of \$5,087, a 13.18 percent rate of return on adjusted OCRB.

23 14. Staff's adjustments to rate base and expenses, as reflected in the Staff Report, are  
 24 reasonable.

25 15. The Company's and Staff's proposed rates would increase the median 5/8 x 3/4 inch  
 26 meter bill by 28.2 percent from \$14.00 to \$17.94, and the average bill by 43.1 percent from \$14.53 to  
 27 \$20.79.  
 28

16. Staff recommended its proposed rates and charges be granted without a hearing.

17. Staff's recommended Rates and Service Charges are reasonable.

18. Groom Creek is current with its property and privilege taxes and its filings with the Commission's Corporations Division.

19. In its October 15, 1998 inspection report, the Arizona Department of Environmental Quality ("ADEQ") reported that Groom Creek had two minor Operating and Maintenance deficiencies and was in substantial compliance with ADEQ regulations. On March 7, 2000, ADEQ reported that the Company has no Monitoring and Reporting deficiencies and is currently delivering water that meets the quality standards of the Safe Drinking Water Act.

20. Staff further recommended that the Company capitalize \$1,200 of legal fees as intangibles and amortize the asset over 40 years, and that the Company reflect the accumulation of intangibles on its balance sheet.

### CONCLUSIONS OF LAW

1. Groom Creek is a public service corporation within the meaning of Article XV of Arizona Constitution and A.R.S. Sections 40-250, 40-251.

2. The Commission has jurisdiction over Groom Creek and of the subject matter of the application.

3. Notice of the application was provided in the manner prescribed by law.

4. The rates and charges authorized hereafter are just and reasonable and should be approved without a hearing.

5. Staff's recommendations set forth in Findings of Fact No. 20 are reasonable and should be adopted.

## ORDER

IT IS THEREFORE ORDERED that Groom Creek Water Users Association shall file on or before June 30, 2000, the following schedule of rates and charges:

1	<u>Monthly Usage Charges</u>	
	5/8" x 3/4" Meter	\$14.00
2	3/4" Meter	17.25
	1" Meter	28.75
3	1 1/2" Meter	57.50
	2" Meter	92.00
4	3" Meter	172.50
	4" Meter	287.50
5	6" Meter	575.00
6		
	<u>Commodity Charge – per 1,000 gallons</u>	
7	1 to 3,000 gallons	\$3.00
	3,001 to 6,000 gallons	\$3.50
8	6,001 to 10,000 gallons	\$4.00
	Over 10,000 gallons	\$8.00
9		
	<u>Service Line and Meter Installation Charges</u>	
10	(Refundable pursuant to A.A.C. R14-2-405)	
	5/8" x 3/4" Meter	\$450.00
11	3/4" Meter	515.00
	1" Meter	590.00
12	1 1/2" Meter	820.00
	2" Meter	1,380.00
13	3" Meter	1,935.00
	4" Meter	3,030.00
14	6" Meter	5,535.00
15	<u>Service Charges</u>	
	Establishment	\$10.00
16	Reconnection (Delinquent)	10.00
	Meter Test (If Correct)	7.50
17	Deposit	*
	Deposit Interest – Per Annum	*
18	Re-Establishment (Within 12 Months)	14.00
	NSF Check	25.00
19	Deferred Payment – Per Month	5.00
	Meter Re-Read (If Correct)	5.00
20		
	<u>Monthly Service Charge For Fire Sprinkler</u>	
21	4 inch or smaller	**
	6 inch	**
22	8 inch	**
	10 inch	**
23	Larger than 10 inch	**
24		
25	* Per A.A.C. R14-2-403.B	
26	** 1 percent of Monthly Minimum for a comparable sized meter connection, but no less than \$5.00 per month. The Service charge for Fire Sprinklers is only available for service lines separate and distinct from the primary water service line.	
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28		

1 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all serv  
2 provided on and after July 1, 2000.

3 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall notify its  
4 customers of the rates and charges authorized herein and the effective date of same by means of an  
5 insert in its next regular monthly billing.

6 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall file with the  
7 Commission, within 60 days from the effective date of this Decision, a copy of the notice it provides  
8 its customers of the new rates and charges.

9 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall comply with  
10 Staff's recommendations set forth in Finding of Fact No. 20.

11 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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15 CHAIRMAN

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15 COMMISSIONER

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15 COMMISSIONER

16 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
17 Secretary of the Arizona Corporation Commission, have  
18 hereunto set my hand and caused the official seal of the  
19 Commission to be affixed at the Capitol, in the City of Phoenix,  
20 this 9TH day of June, 2000.

21   
22 BRIAN C. McNEIL  
23 EXECUTIVE SECRETARY

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28  
22 DISSENT  
23 JR:dap

1 SERVICE LIST FOR: GROOM CREEK WATER USERS ASSOCIATION

2 DOCKET NOS.: W-01865A-00-0058

3 Marjorie Navarro  
4 Groom Creek Water Users Association  
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7 Lyn Farmer, Chief Counsel  
8 Legal Division  
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10 1200 West Washington Street  
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12 Deborah Scott, Director  
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